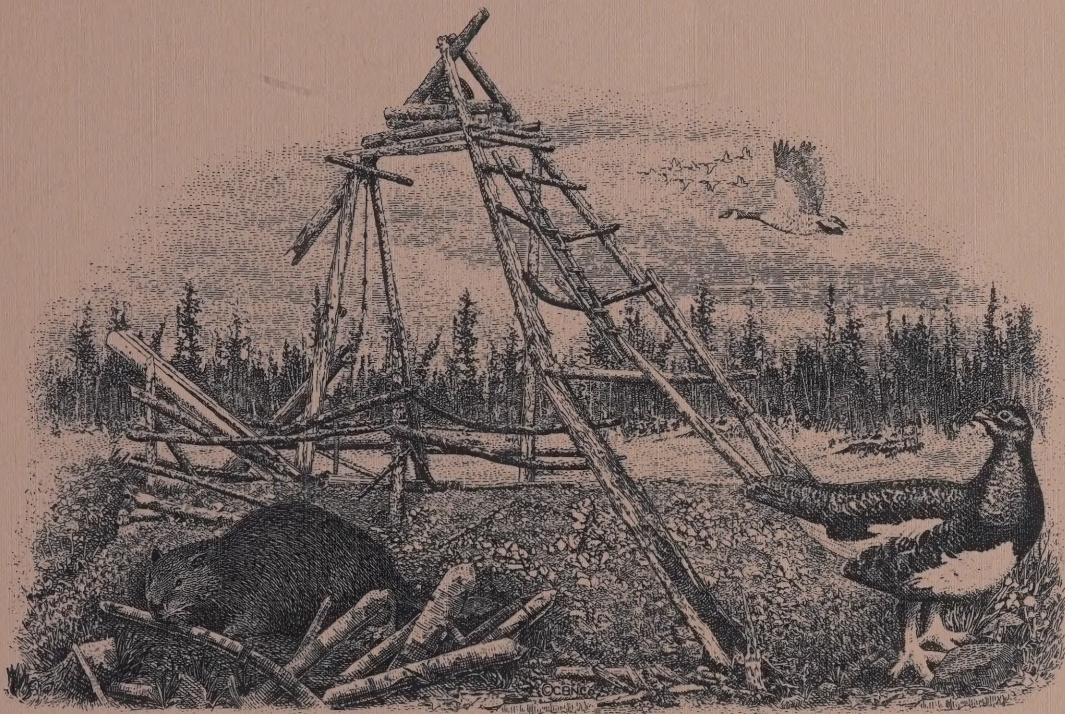


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PINE POINT MINES LIMITED

ANNUAL REPORT

Year ended December 31, 1976

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PINE POINT MINES LIMITED

Year ended December 31, 1976

ANNUAL REPORT

PINE POINT MINES LIMITED

Incorporated under the laws of Canada, May 16, 1951

Head Office: Pine Point, N.W.T.

Mailing Address: c/o Cominco Ltd.,

200 Granville Square, Vancouver, B.C.

V6C 2R2

DIRECTORS

F. E. Burnet

R. P. Douglas

G. H. D. Hobbs

R. A. MacKimmie, Q.C.

A. V. Marcolin

J. H. Salter

J. B. Smith

W. G. Wilson

W. M. Young

OFFICERS

J. H. SalterChairman and Chief Executive Officer

R. P. DouglasPresident

P. C. StewartSecretary

SENIOR OPERATING STAFF

W. H. GibneyManager

M. J. RoyeaGeneral Superintendent

D. C. ParkerProduction Superintendent

W. R. HargraveDragline Project Superintendent

D. A. CormodeConcentrator Superintendent

Z. NikicSenior Mine Geologist

G. R. LaroucheShops & Services Superintendent

J. R. BarrController

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company

555 Burrard Street, Vancouver, B.C. V5B 3R7

600 - 7th Avenue S.W., Calgary, Alberta T2P 0Y6

Bay & King, Toronto, Ontario M5W 1P9

AUDITORS

Thorne Riddell & Co.

Vancouver, B.C.

PINE POINT MINES LIMITED

26th ANNUAL REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

This is the report of the Board of Directors to the shareholders of the Company for the year ended December 31, 1976. The relevant financial statements together with the report of the Auditors accompany this report. Cominco Ltd. acts as manager and agent on behalf of the Company.

FINANCIAL

Net earnings for 1976 were \$9,311,000 or \$2.06 per share compared with \$16,860,000 or \$3.73 per share for 1975. The drop in earnings was due to reduced volume of lead concentrate sales and higher production costs resulting from increased stripping activity. Income taxes for the year were \$6,200,000 compared with \$12,790,000 in 1975. 1976 capital expenditures of \$4,127,000 were mainly for construction of additional employee accommodation, an addition to the tailings disposal area and initial costs for purchase of a large dragline.

Dividends of \$5.50 per share were paid in 1976 compared with \$4.50 per share in 1975.

SALES

Sales of concentrates were \$85,972,000 compared with \$91,025,000 in 1975. Lead concentrate sales volume was down from the previous year although prices showed some improvement. Increased volume of zinc concentrate sales was offset by lower prices for the year. Distribution expenses of \$27,267,000 were slightly higher than in 1975.

PINE POINT MINES LIMITED

OPERATIONS (1975 Comparative Data in Brackets)

Ore treated in the concentrator totalled 3,773,000 (3,905,000) tons with an average grade of 1.7 (2.4)% lead and 5.3 (4.9)% zinc. The sources of ore resulted in a lower production of lead concentrate and a higher production of zinc concentrate. This provided 72,000 (104,000) tons of lead concentrate and 323,000 (301,000) tons of zinc concentrate. Year-end inventories were 4,800 (12,000) tons of lead concentrate and 33,000 (44,000) tons of zinc concentrate. A major breakdown of the Northern Canada Power Commission's Taltson hydro-electric plant on June 12th resulted in the concentrator being shut down for nineteen days, although some mining activity continued. Six pits were in production and one pit was exhausted during the year. Haulage distances now range from 8 miles east of the mill to 9½ miles west of the millsite. The equipment at the property hauled material a total of 40.7 million ton miles during the year. Overburden and waste removal was 13.1 (8.4) million tons. The stripping ratio at 3.5 to one was up significantly from previous years of about two to one. Contractors were used to catch up on stripping during 1976. This will enable production plans to be met until 1979, at which time the dragline will be used to strip overburden.

Three new pits were stripped of overburden, one of which was in production at the end of the year. The dewatering program continued on schedule with 5,055 horsepower of pumping capacity installed to keep the mining areas dry and provide process water for the concentrator.

Costs were significantly higher due to the increased stripping, higher power rates and continuing escalation of prices for supplies and parts. Relative to 1975, power costs were up 57% and labour costs were up 15%.

An order for a 30 yard walking dragline was placed during the year for delivery in late 1978. When operative in 1979 this machine will provide high volume-low cost stripping to deal with the increased strip ratios for the deeper seated ore zones in the western part of the property. Additional power required for this machine will be provided by the Northern Canada Power Commission. Negotiations have commenced on a long-term power supply contract.

PINE POINT MINES LIMITED

Labour supply has been adequate except for skilled tradesmen. The additional housing units provided during the last two years has contributed to increased stability with the turnover rate down from 100% in 1975 to 71% in 1976. The effects of major construction projects in Alberta have been felt through increased turnover among certain skilled tradesmen and some supervisory personnel. The employment of women in operational jobs continued with 41 now working in this capacity. A local apprenticeship program operating in conjunction with the Northwest Territorial Government has an enrollment of 50. A native liaison officer was hired during the year to direct special efforts toward increasing job opportunities for natives. Consultation concerning employment opportunities and training programs are planned with native community leaders in an effort to stimulate more interest in working at the mine.

Ore reserves at year-end were 36.2 (39.2) million tons with an average grade of 2.0 (2.0)% lead and 5.4 (5.4)% zinc. Diamond drilling around known ore bodies outlined some additional ore which partially compensated for the ore mined. The exploration program outlined areas that will be followed up with more emphasis on geophysical work in the coming year. Exploration expenditures for 1976 amounted to \$1.1 million.

Your Directors appreciate the efforts of the Cominco employees who managed and operated your property during 1976.

On behalf of the Board

J. H. Salter
Chairman and Chief Executive Officer

R. P. Douglas
President

PINE POINT MINES LIMITED

STATEMENT OF EARNINGS AND EARNINGS REINVESTED IN THE BUSINESS

Year ended December 31, 1976

	1976	1975
	(thousands)	
REVENUE		
Sales	\$85,972	\$91,025
Income from investments	<u>1,331</u>	<u>1,889</u>
	<u>87,303</u>	<u>92,914</u>
 COSTS AND EXPENSES		
Cost of product sold	35,843	28,298
Distribution	27,267	25,792
Selling	226	285
General and administrative	1,799	2,268
Depreciation	4,123	3,809
Depletion	<u>2,534</u>	<u>2,812</u>
	<u>71,792</u>	<u>63,264</u>
 EARNINGS BEFORE INCOME TAXES	<u>15,511</u>	<u>29,650</u>
 INCOME TAXES		
Current	5,387	12,565
Not currently payable	<u>813</u>	<u>225</u>
	<u>6,200</u>	<u>12,790</u>
	9,311	16,860
 NET EARNINGS (\$2.06 per share; 1975 — \$3.73)		
Earnings reinvested in the business at beginning of year	<u>30,011</u>	<u>33,475</u>
	39,322	50,335
 Dividends (\$5.50 per share; 1975 — \$4.50)	<u>24,840</u>	<u>20,324</u>
 EARNINGS REINVESTED IN THE BUSINESS AT END OF YEAR	<u>\$14,482</u>	<u>\$30,011</u>

PINE POINT MINES LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1976

	1976	1975
	(thousands)	
SOURCE OF FUNDS		
Funds provided from operations		
Net earnings	\$ 9,311	\$16,860
Add:		
Depreciation and depletion	6,657	6,621
Income taxes not currently payable	813	225
	<u>16,781</u>	<u>23,706</u>
Decrease in working capital	<u>12,890</u>	<u>2,987</u>
	<u>\$29,671</u>	<u>\$26,693</u>
APPLICATION OF FUNDS		
Mining properties and development	\$ 917	\$ 73
Buildings and equipment	3,210	5,395
Repayment of long-term debt	704	901
Dividends	<u>24,840</u>	<u>20,324</u>
	<u>\$29,671</u>	<u>\$26,693</u>

PINE POINT M

(Incorporated under the laws of the State of Nevada)

BALANCE SHEET AS OF DECEMBER 31, 1976

(thousands of dollars)

	1976	1975
CURRENT ASSETS		
Cash and short-term investments	\$ 3,217	\$ 9,609
Trade accounts receivable (Note 2)	11,712	16,669
Inventories (Note 3)	7,632	7,513
Prepaid expenses	<u>2,860</u>	<u>3,328</u>
	<u>25,421</u>	<u>37,119</u>
FIXED ASSETS		
Land, buildings and equipment	53,515	50,305
Less accumulated depreciation	<u>32,834</u>	<u>28,710</u>
	<u>20,681</u>	<u>21,595</u>
Mining properties and development	36,975	36,057
Less accumulated depletion	<u>24,556</u>	<u>22,022</u>
	<u>12,419</u>	<u>14,035</u>
	<u>33,100</u>	<u>35,630</u>
	<u>\$58,521</u>	<u>\$72,749</u>

Approved by the Board

J. H. Salter, Director

R. P. Douglas, Director

PINE POINT MINES LIMITED

(In Canadian Dollars)

DECEMBER 31, 1976

(In thousands of dollars)

	1976	1975
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 7,244	\$ 4,870
Income taxes	521	1,507
Long-term debt due within one year	706	902
	<u>8,471</u>	<u>7,279</u>
LONG-TERM DEBT		
Agreements to purchase mining properties, without interest, payable in 1977 and 1978	1,400	2,295
Housing mortgages	165	170
	<u>1,565</u>	<u>2,465</u>
Less portion due within one year	706	902
	<u>859</u>	<u>1,563</u>
INCOME TAXES PROVIDED FOR BUT NOT CURRENTLY PAYABLE	<u>5,548</u>	<u>4,735</u>
SHAREHOLDERS' EQUITY		
Capital:		
Authorized — 5,000,000 shares of no par value		
Issued and fully paid 4,516,363 shares	29,161	29,161
Earnings reinvested in the business	14,482	30,011
	<u>43,643</u>	<u>59,172</u>
COMMITMENTS (Note 6)		
	<u>\$58,521</u>	<u>\$72,749</u>

AUDITORS' REPORT TO THE SHAREHOLDERS OF PINE POINT MINES LIMITED

We have examined the balance sheet of Pine Point Mines Limited as at December 31, 1976 and the statements of earnings and earnings reinvested in the business and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
February 11, 1976

THORNE RIDDELL & CO.
Chartered Accountants

PINE POINT MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventories

Inventories of concentrates are valued at the lower of cost (determined on the monthly average method) and net realizable value. Stores and operating supplies are valued at average cost less appropriate allowances for obsolescence.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost and depreciated on a straight-line basis related to the estimated life of ore reserves.

Mining Properties and Development

Expenditures on general exploration and development are charged against earnings as incurred. Expenditures on the development of new mining properties are capitalized and amortized against earnings by charges for depletion based on the estimated life of ore reserves.

Income Taxes

The Company follows the tax allocation method of accounting. Under this method timing differences, principally when depreciation and depletion recorded in the accounts are different from the amounts claimed for tax purposes, result in taxes provided for but not currently payable.

Foreign Currency Translation

Current assets and current liabilities denominated in foreign currencies are translated at year-end rates of exchange. The resulting exchange adjustments are included in the determination of earnings.

2. TRADE ACCOUNTS RECEIVABLE

	1976	1975
	(thousands)	
Shareholder, Cominco Ltd.	\$ 5,369	\$ 885
Associated companies	328	228
Others	6,015	15,556
	<u>\$11,712</u>	<u>\$16,669</u>

PINE POINT MINES LIMITED

3. INVENTORIES

	1976	1975
	(thousands)	
Concentrates	\$ 3,889	\$ 3,990
Stores and materials	3,743	3,523
	<u>\$ 7,632</u>	<u>\$ 7,513</u>

4. DIRECTORS' AND OFFICERS' REMUNERATION

In 1976, total remuneration of \$21,300 was paid to the nine directors. No remuneration was paid to the three officers as officers; two officers were also directors.

5. ANTI-INFLATION PROGRAMME

In 1975, the Canadian Government passed the Anti-Inflation Act. Under this legislation, the Company is subject to controls on revenues, profits, employee compensation and shareholders' dividends.

6. COMMITMENTS

During the year, the Company approved a capital programme for the expenditure of \$21.3 million for a dragline, ancillary equipment and facilities. The dragline is expected to be in commercial use in 1979.

7. COMPARATIVE FIGURES

Certain of the 1975 comparative figures have been reclassified to conform with the 1976 presentation.

PINE POINT MINES LIMITED

HIGHLIGHTS — 5 YEAR

(all dollar amounts in millions except per share amounts)

	1976	1975	1974	1973	1972
OPERATIONS					
Sales of products and services	\$ 86.0	\$ 91.0	\$126.5	\$ 85.2	\$ 51.4
Net earnings	9.3	16.9	36.9	20.6	7.3
— per common share	2.06	3.73	8.17	4.56	1.62
Funds from operations	16.8	23.7	43.9	27.2	14.1
— per common share	3.72	5.25	9.73	6.02	3.12
Dividends on Common shares	24.8	20.3	24.8	16.9	15.8
— per common share	5.50	4.50	5.50	3.75	3.50
Capital expenditures (net)	4.2	5.5	6.9	2.7	2.7
Total employment cost	14.4	12.6	10.0	7.7	7.1
Number of employees	695	652	629/	550	522
FINANCIAL POSITION					
Working capital	\$ 17.0	\$ 29.9	\$ 32.8	\$ 17.9	\$ 10.5
Fixed assets (net)	33.1	35.6	36.8	36.8	40.7
Other assets	—	—	—	0.9	0.9
Assets employed	<u>\$ 50.1</u>	<u>\$ 65.5</u>	<u>\$ 69.6</u>	<u>\$ 55.6</u>	<u>\$ 52.1</u>
Represented by:					
Long-term debt	\$ 0.9	\$ 1.6	\$ 2.5	\$ 0.6	\$ 0.8
Income taxes not currently payable	5.6	4.7	4.5	4.4	4.4
Shareholders' equity	<u>43.6</u>	<u>59.2</u>	<u>62.6</u>	<u>50.6</u>	<u>46.9</u>
	<u>\$ 50.1</u>	<u>\$ 65.5</u>	<u>\$ 69.6</u>	<u>\$ 55.6</u>	<u>\$ 52.1</u>
SALES					
Lead concentrate (tons)	79,854	123,398	116,505	131,427	120,317
Zinc concentrate (tons)	333,534	290,359	395,334	361,730	337,045

